

FINANCE DIRECTOR/TREASURER'S OFFICE

Fiscal Year 2007

As Finance Director/Treasurer, I am responsible for the coordination of all financial activities of the Town, managing and coordinating the activities of the Finance Department (Accounting, Assessing, Collections, Treasury), development of operating and capital budgets and appropriate budgetary controls, the disbursement, investment, and management of all funds belonging to the Town, and for effective financial planning and management of debt and debt policies. I also serve as the primary staff liaison to the Finance Committee; Joint Capital Planning Committee; and the Budget Coordinating Group, comprised of representatives from the Select Board, Finance Committee, Jones Library Trustees, Amherst School Committee, and the Regional School Committee, the Town Manager, School Superintendent and Business Manager, and Library Director.

Along with a growing number of Massachusetts communities, the Town of Amherst continues to grapple with a structural budget deficit caused primarily by health care and energy costs rising well above the rate of inflation, property tax revenues capped by law (Proposition 2 ½), and State aid to cities and towns \$600 million below FY 02 levels after adjusting for inflation. I worked closely with community leaders to educate them and townspeople about the financial realities confronting the Town, and to develop a financial plan to deal with the Town's structural deficit for the next three years. The Finance Committee proposal consisted of five elements:

1. a property tax override (increase) of \$2.5 million, which is the amount projected to be sufficient to balance the Town's operating budget for three years

2. caps on spending for operating budgets that would limit increases for municipal services, elementary schools, the Regional Schools assessment and library tax support to 3% in FY 08, 5.5% in FY 09 and 5.6% in FY 10

3. working toward achievement of additional revenues and property tax relief through encouraging proposed State legislative action (a local option meals tax, increased hotel room tax, and expansion of the state circuit breaker income tax credit program) and seeking justified contributions in support of public safety services from the University and the colleges

4. pursuing increased property tax revenues through appropriate economic development

5. expedite growth of the Town's reserves (Free Cash and the Stabilization Fund) to a minimum of 8% of operating revenues (approximately \$5.3 million) by the end of FY 10, which is essential for emergencies, for assistance when the next economic downturn results in decreased State aid, and to protect the Town's credit rating so that borrowing for capital projects will not become more expensive.

Voters narrowly rejected the \$2.5 million override question, 52% to 48%, in a special election referendum on May 1, 2007. Town Meeting adopted a reduced budget, with nearly \$400,000 cut from the capital budget and 1% increases (3% to Regional Schools) to operating budgets. While the budget is "balanced" for FY 08, the structural issues remain. The Town must embrace a long-term financial planning model that reconciles financial resources with the Town/School/Library service levels the community desires.

Since FY 03, the Finance Department has reduced the number of full-time equivalent staff by 20%, from 16.31 to 13.00. This has been possible only through the Town's investment in new technology and the staff's ability and willingness to embrace technology to deliver better and more efficient service to the public. In FY 07, automated handheld parking ticket technology was deployed to parking enforcement officers, which provided the dual benefit of reducing the number of voided tickets from illegible script and the elimination of data entry of ticket data by the Collector's staff. Previously, the Collector's Office introduced on-line banking services and partnered with the IT and Fire Departments to streamline ambulance-patient medical reporting and billing through deployment of laptop computers in ambulances. The Assessors increased on-line access to property information. For FY 08, we are exploring ways to increase on-line bill pay activity and to take full advantage of enhancements planned for the Town website.

The Town's earnings on investments increased as interest rates peaked in FY 07, ranging from an average of 5.24% in July 2006 to 5.31% in June 2007. Certificate of Deposit rates rose from 5.10% early in the year to as high as 5.54% by January 2007. Per Massachusetts General Laws, municipalities are not allowed to invest funds for a period greater than one year. A total of \$800,942 was earned from investment interest, stock and mutual funds in FY 07, an increase of \$165,171 from the prior fiscal year. The General Fund received \$439,706, the Enterprise Funds received \$235,666, the Community Preservation Fund received \$17,395, the Stabilization Fund received \$61,433, the Health Insurance Fund received \$8,518, the Worker's Compensation Fund received \$18,854, and the Trust Funds received \$19,370.

On July 7, 2006, the remaining portion of Crocker Farm School Project temporary debt, in the amount of \$1,683,043, was retired. The Massachusetts School Building Authority completed its project audit and made a final grant payment of \$2,477,922. Combined with a previous payment of \$3,821,957, which the Town received on July 6, 2005, the grant totaled 67% of the final eligible audited project costs of \$8,772,664 and interest costs of \$522,145. The Town issued \$3,000,000 in general obligation bonds to permanently finance the local share of this project on October 1, 2003.

There was one borrowing during FY 07. On June 20, 2007, the Town paid down \$110,000 in temporary debt principal and renewed remaining temporary debt in the amount of \$390,000 for one year, at an interest rate of 3.82%, for construction of athletic fields at the Plum Brook Recreation Area. Community Preservation Act funds are to finance two-thirds of the cost, with the remainder financed by taxation over the next ten years.

The Treasurer's Office manages the tax titles for the Town. When a taxpayer becomes delinquent in paying real estate taxes or other local charges that constitute liens on real estate, the Town has statutory authority to take title to the taxpayer's property and, subsequently, to undertake proceedings to foreclose on the property by petition to the Land Court. The property owner can redeem the property by paying the unpaid taxes, with interest and other charges. Two tax title cases dating to the early and mid-1990's were resolved, resulting in full payment of outstanding taxes, interest, and penalties to the Town, and a third case was being aggressively pursued in Land Court as FY 07 came to a close. Twenty-seven new properties were placed in tax title accounts during FY 07, totaling \$70,940. There were 20 properties removed from tax title accounts during the year. Payments totaled \$159,211. Additional interest collected totaled \$45,472. As of June 30, 2007, there were 51 parcels with a balance of \$181,816 outstanding. This compares favorably to the June 30, 2006 balance of \$272,918 and the June 30, 2005 balance of \$284,051. Tax possessions totaled \$100,479 on June 30, 2007.

During FY 07, four taxpayers took advantage of Clause 41A, which allows income-eligible elderly homeowners to defer payment of their real estate taxes until the owner or his/her estate sells the home. This option is intended to help make it financially possible for qualifying citizens to continue living in their homes. The maximum allowed deferral of taxes equals one-half of the assessed value of the property. The interest rate on deferred tax has been 8% until the property is sold or the eligible taxpayer is deceased. The interest rate then increases to 16% until payment is received. On the recommendation of staff, the 2006 Annual Town Meeting voted to accept a new provision in state law that allows the Town to reduce the rate of interest that accrues on property taxes deferred by eligible seniors under G.L. c. 59 §5, Clause 41A, from 8% to 4%, with such reduced rate to apply to taxes assessed for the fiscal year beginning July 1, 2006. The number of taxpayers participating in this program increased to a total of ten, compared to six the prior year. As of June 30, 2007, there were ten properties with deferred taxes, amounting to \$110,117. I believe that reducing the interest rate encouraged additional taxpayers to take advantage of the program.

Lastly, I want to acknowledge Assistant Treasurer Cheri Boucher for her dedicated work with other Town departments and her unfailingly courteous and professional assistance to taxpayers and the general public. Cheri is in her 22nd year of service with the Town and is one of several “unsung heroes” in the Finance Department and throughout Town government service who make local government “work” for the citizens of Amherst.

Submitted by

John P. Musante
Finance Director/Treasurer